BLOG POST

Housing Yin and Yang

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The Federal Reserve Bank of St Louis reported in August that 12.5% of Americans are experiencing housing distress. Housing distress is defined as being late on rent or mortgage payments. The Census Bureau's Household Pulse Survey reveals that demographic, generational, and educational factors are strongly associated with distress. Housing, on the other hand, is rallying. The chart below shows an aggressive recovery in housing permits (blue), housing starts (green), and single family permits (red). Housing starts in July increased by 22.6% (Commerce Department). Economists polled by Reuters anticipated housing starts to increase by a rate of 1.24mm units versus the seasonally adjusted rate of 1.49mm units in July. Positive housing metrics provide encouraging news for the economy's recovery from Covid as they tend to be leading indicators.

- Education offers the most predictive contrast specific to housing distress with those without a bachelor's degree experiencing a distress rate roughly three times versus those with a bachelor's degree (St. Louis Federal Reserve Bank).

- Housing permits are within 3% of their high in January of 2020 (Seeking Alpha).

- Housing starts are lagging permits, within 8% of the January 2020 high (Seeking Alpha).